

17 June 2003

The Honorable E. Clay Shaw, Jr.
Chairman, Subcommittee on Social Security
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman,

Per your request, I am submitting my answers to the written questions you posed in your letter of 28 May.

I want to thank you again for giving me the opportunity to testify before your Subcommittee on 1 May, and for this opportunity to provide you and the Subcommittee with additional information about the views of the more than 306,000 members of the Fraternal Order of Police. The repeal of the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) is a critically important issue for law enforcement officers, who are disproportionately affected by them.

If I can be of any further assistance, or provide any additional information, please do not hesitate to contact me or Executive Director Jim Pasco in my Washington office.

Sincerely,

A handwritten signature in cursive script that reads "Chuck Canterbury".

Chuck Canterbury
National President

1) The GPO and WEP have been law for roughly twenty years, yet many are shocked to learn of their existence when they are ready to collect benefits. Please describe the efforts of the Fraternal Order of Police to educate members on these provisions. If your organization is not engaging in widespread member education campaigns, why not? How would you explain why so many members are unaware of these provisions?

Members of the Fraternal Order of Police are aware of these provisions and the National F.O.P. continues to educate its members about the potential negative impact that these benefit cuts can have on their retirement plans.

In August 1997, the delegates at the 53rd Biennial National Conference adopted a resolution making the repeal of the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) a top legislative priority of the F.O.P.'s National Legislative Program. This was due in large part because of the success we have had in making our members aware of the reductions they face when they become eligible to apply for Social Security benefits. Since that time, the F.O.P. has been very involved in supporting various pieces of legislation in an effort to correct the unfairness of the current law and regularly update our membership as to our efforts. Our organization has also testified on this issue before the Subcommittee on Social Security in three of the last four Congresses: May 1998, June 2000 (submitted written testimony), and May 2003.

2) Do you believe the Social Security Statement misleads many public employees? If so, what changes to the Social Security Statement would you recommend?

The Social Security Statement is not misleading, but it is not entirely clear as to the individual impact of the GPO and WEP benefit cuts, nor does it indicate if the individual is affected by them. The language on the sample Social Security Statement on the website of the Social Security Administration related to this point is as follows:

“(3) Your benefit amount may be affected by **military service, railroad employment, or pensions earned through work on which you did not pay Social Security tax**. Visit www.socialsecurity.gov/mystatement to see whether your Social Security benefit amount will be affected.”

The affected employee must research how his benefits will be affected, and he may not do this until he begins to plan his retirement at the end of his working career.

The F.O.P. would advise making the information on the Social Security Statement more clear by emphasizing that State and local employees face a reduction in Social Security benefits. Perhaps a supplemental Statement, similar to the special insert provided to those aged fifty-five (55) and older, could be provided to all State and local employees, explaining how the WEP and GPO will affect them and their families.

3) Most organizations testifying at the hearing advocated a repeal of the GPO and WEP. However, this would be extremely costly and would cause Social Security to run cash flow deficits and exhaust the trust funds more quickly. Given Social Security's and the financial pressures, are there other options of reform that you could support?

The Fraternal Order of Police appreciates the complexity of this issue and the financial pressures faced by the Social Security trust fund. However, we do not see any compelling reason why State and local employees should have their benefits cut because a Federally mandated program is managed into periodic solvency crises. Nor do we agree that restoring fairness to the system spells fiscal doom for the Social Security trust fund.

It is not right or fair to perpetuate inequitable reductions on benefits earned by public employees in order to extend the life of the trust fund for a few extra years. After all, the State and local governments who chose not to participate in Social Security did not create this problem, nor did the employees who do not pay into the system. Penalizing them is not a solution in the long or short term.

Any Social Security reform considered by Congress must include a repeal of the GPO and WEP and must reject any scheme to mandate participation in Social Security by those local and State government employees currently outside the system.

4) Public servants feel they are treated unfairly under Social Security because they are paying into a public pension instead of Social Security. However, your organization, and others that testified, oppose mandatory Social Security coverage for newly-hired State and local workers for several reasons, such as the government pension plan meets employees' special needs, especially with regard to early retirement, and mandatory coverage could jeopardize the pension plan's funding. What would your organization think about allowing State and local workers in jobs not covered by Social Security to voluntarily choose coverage on an individual basis, where employees would pay both the employer and employee portion of the payroll tax?

Public employees feel they are treated unfairly, not because they participate in a public pension plan, but because Federal law cuts their benefits significantly if they worked or choose to work in a second job or career in which they were forced to pay a Social Security tax on that income. It should be no surprise that public employees are angry when they discover they cannot receive the full amount of the benefit for which they were taxed.

The Fraternal Order of Police does indeed oppose mandating participation in Social Security for those currently outside the system. The President's Commission to Strengthen Social Security (CSSS) rejected the mandatory participation scheme in its final report issued on 21 December

2001, and we believe Congress should do likewise.

To answer the last part of your question, I do not understand how allowing State and local employees the option to pay both the employee and employer portion of the payroll tax, which amounts to an additional 12.4%, in order to participate in Social Security, solves the problem for those employees who elect to remain outside the system. These employees would still be penalized if they worked in a second job or had a second career in which they were forced to pay into Social Security because the WEP and GPO would still apply.

I am concerned that Congress continues to look for ways to save money for the Social Security system by cutting benefits earned by State and local employees and to increase the amount of revenue they can generate from these employees. State and local employees are not a cash cow to be milked for the Social Security trust fund. The Federal government must find a way to honor their commitment to these men and women, not find a loophole to accrue “savings” at their expense.